

City of San Jose
Former San Jose Medical Center Site
Land Use – Health Care Study

Stakeholder Advisory Committee Meeting

150 East San Fernando Street, Rooms 255 and 257

(Dr. Martin Luther King, Jr. Library)

Wednesday, May 2, 2007

6:00 – 8:00 p.m.

DRAFT MEETING NOTES

Committee Members Present: Bob Brownstein, Roz Dean, Nancy Hickey, Joshua Howard, Les Levitt, Jim Murphy, Julia Ostrowski, Patti Phillips, Andrew Reid, Gary Schoennauer, and Paula Velsey

Staff Members Present: Kip Harkness, Sam Knutson, and Allen Tai

Consultants Present: Terry Bottomley and Dr. Henry Zaretsky

A. Welcome and Introductions

Kip Harkness presented a document prepared by Rudolph and Sletten General and Engineering Contractors evaluating the feasibility of reusing the existing San Jose Medical Center (SJMC) for Hospital and Medical Office Building uses, concluding that it would not be cost effective for health care uses and reconstruction would be the best option. Roz Dean wanted to know if it would be feasible for clinic uses as opposed to an actual hospital. Kip Harkness said he would check with the Rudolph and Sletten. Julia Ostrowski wanted to know why HCA would purchase a structure with so much deferred maintenance, ADA, and code issues. Kip Harkness stated that with the closure of the hospital facility, a new hospital opening under a new license would be required to meet all current requirements to date, including seismic safety standards for the facility. Dr. Henry Zaretsky concurred, stating that the existing hospital would have been able to operate until 2013 under current State standards. Les Levitt requested direct access to OSHPD documents and Gary Schoennauer stated that the documentation had been provided to City staff and they had filed for the demolition permit due to the infeasibility of reuse. Dr. Zaretsky stated the OSHPD documentation would require a complete replacement due to their condition.

Kip Harkness further explained the issues involved in a retrofit. Les Levitt asked what other health care providers, such as Gardner, would have done and whether they can explore an adaptive reuse alternative. Kip Harkness referred to the Rudolph and Sletten's conclusion and cited the economic infeasibility of retrofitting the hospital. Les Levitt stated his skepticism of the conclusion, and Kip Harkness stated he would invite Rudolph and Sletten for direct discussion on the topic.

B. Land Use Discussion

Terry Bottomley presented the four land use concepts that appeared to capture the direction of the Committee's recent discussions. He reminded the Committee that the Public Quasi-Public General Plan land use designation does not guarantee a hospital use. Concepts 5, 6, and 6a have what would be equivalent to land banking issues. Senior living would not necessarily support the neighborhood business district, unless significant independent living was to be incorporated into the project. Terry Bottomley explained the pros and cons of Concept 3. A townhouse project would be a good transition to the neighborhood. Residential/mixed use commercial uses could be phased in on the eastern third of the property. Benefits also include good business frontage along Santa Clara Street adding to the neighborhood business district supporting surrounding medical businesses. On the other hand, a hospital or medical use could be loud and incompatible with the neighborhood. The commercial frontage as shown in this concept may be too small for developers or viable for future businesses. Finally, the large healthcare (Public Quasi-Public designation on the land does not guarantee a hospital use.

Bob Brownstein wanted to get a handle on the development value of the land to determine actual feasibility. Les Levitt asked if the tax revenue benefit could be ranked for the City. Nancy Hickey asked if the Mediplex building could be preserved. Gary Schoennauer stated that this concept is not viable due to the size of the property for the construction of a modern medical facility. Roz Dean disagreed with what Mr. Schoennauer had stated; she believes a small medical facility would be possible and wanted research to be completed on this issue. Ms. Dean wanted the Committee to explore the possibility of a small primary care hospital. Bob Brownstein stated that other healthcare oriented uses could still be located at this site, and there is no evidence that health related uses at the site would be infeasible. Roz Dean stated that Dr. Zaretsky's report stated the need for a clinic in the area, if not at this site, then somewhere within the vicinity.

Concept 4 depicted a smaller healthcare facility along Santa Clara with mixed use for a larger frontage and gradual stepping of density downwards to townhouse development at the rear of the site. The benefits include providing a mix of housing types and development density that could support diverse income groups. The commercial frontage provides more clinic access along Santa Clara Street. The downside is that a medical use is not guaranteed by the PQP designation, and the portion of the site intended for medical uses could sit vacant. Lastly, there could be a compatibility issue with a medical facility adjacent to a neighborhood.

Gary Schoennauer stated a small on-site clinic concept is consistent with HCA's position. Julia Ostrowski asked about the potential of land banking offsite for a medical facility and allow HCA to fully develop the site. Gary Schoennauer stated that there is not enough room in the market to support two hospitals in the area, and HCA wants San Jose Regional Medical Center (RMCSJ) to be viable and expand if necessary. Gary Schoennauer views this concept as a reasonable land use for this property. HCA would

not likely support land banking for another hospital, and has chosen, for economic reasons, to focus resources on expanding HCA's other facility at RMCSJ.

Andrew Reid stated that people defined "market" differently. He sees a market in those that are not currently served by any healthcare provider. He stated the need for the Committee to look at which concept(s) would yield the best amount of space needed in the future. He asked whether Concept 3 and 4 would provide enough medical care space for the immediate medical care needs of the community. Terry Bottomley believes Concept 4 can accommodate the healthcare needs that Dr. Zaretsky had previously identified, which are primary care and urgent care with access across the entire payer mix. Dr. Zaretsky stated that the adjacent Chavez building, though not in the best condition, could serve the healthcare need in the community with some renovation. The more value that HCA can extract from the site the more it can help the City better subsidize a first rate medical care facility at the site or in the vicinity. Andrew Reid stated his concerns that the small clinic site would not allow future expansion as needed, and stated the need to look long term. Kip Harkness stated that Concept 4 may offer a lot of potential depending on good urban design and configuration, and the consultants agreed.

Bob Brownstein wanted an institutional arrangement to accommodate all citizens. Specifically: 1) advantage of title ownership of the land; 2) Institutional arrangements in place that assumes providing healthcare access to everyone; 3) from the City's perspective, land banking should be a fundamental priority and should be used as a tool in long-range land use planning for healthcare. He asked why land banking is out of the question if the City already plans for other land uses far into the future such as the preservation of industrial land.

Les Levitt suggested higher density residential in Concept 3 to preserve more land for medical use. Gary Schoennauer responded that high density residential might not be feasible given neighborhood compatibility and that HCA would not be able to get value out of the site. He also explained the need to consider the residual value to the developer. When there is a large block of hospital or use on a portion of the site that is generally incompatible with residential development, it is hard to market the rest of the site. concerned what goes in next door. Roz Dean asked if townhome development is worth more than high-rise apartments and Mr. Schoennauer agreed. Andrew Reid asked if the maximum value of land could be extracted from the land in the Concept 3 configuration for HCA. Gary Schoennauer did not see this scenario as marketable and too hypothetical. Julia Ostrowski stated she did not want to see a 15-story building at the site due to neighborhood compatibility. Kip Harkness explained the costs of high-rise construction associated with materials and regulatory requirements.

Terry Bottomley explained Concept 4a, focusing on the fact that there is no potential of a healthcare facility at the site under this land use concept. An off-site clinic would be in the scheme while potentially increasing the market value of the site. Paula Velsey stated her concern that a site option should specifically be included in the plan. Terry Bottomley explained that Concept 6a had the potential for land banking at the site. Paula

stated that there was not enough land allocated towards healthcare at the site, and she would be unable to support such a plan. Bob Brownstein wanted to know how much power the City could exert on what could be placed on Public Quasi Public-designated land. Kip Harkness explained the General Plan designation and that a rezoning would be required for future development.

Roz Dean stated that the taskforce should consider retirement living products, both assisted and independent living, as potential use for the site. She asked for a possible presentation on the topic to inform the committee. Kip Harkness stated that Concept 4 appears most amenable to the taskforce, with potential sites such as the old City Hall being considered. Roz Dean stated that it is important that other sites met the criteria for healthcare and were acceptable to the community.

C. Healthcare Discussion

Dr. Zaretsky stated he was unable to connect with O'Connor and hoped to do so in the near future. Jim discussed the County's position on healthcare. He cited the significant impact to the County health system as demonstrated by a 44% increase of patient visits to County facilities. He described a two-fold impact caused by HCA, 1) Closure of SJMC, and 2) HCA's decision not to participate in Medi-Cal. The County is currently shouldering the burden of Regional Med's cancellation of participation in the Medi-Cal program, effectively transferring these costs and financial burden of serving those patients to the County. The County's health system is further strained because Valley Med is suffering a \$37 million reduction in budget for the upcoming fiscal year and a potential \$110 million reduction over the next three years. Mr. Murphy believes this will further burden tax payers in the future.

Jim Murphy also stated that the County would not oppose a community clinic at the site, but the County would want a facility to serve uninsured patients. He stated that Gardner would be a good partner to work with for this type of facility. Gardner is a favorable primary care provider and they have established credibility in working with the County. The question is who would provide urgent care. HCA could be asked to participate in urgent care, but the question is whether people will trust HCA to stay in the community. The other issue is that the County has the capital for seismic compliance program to replace current beds, but no to necessarily further expand bed availability. Mr. Murphy stated that it is difficult to see a hospital coming on site but it would support an increase in capacity for beds especially if the facility has full access for the uninsured. The County's current plans for meeting future demand is by converting two-bed rooms into single-bed rooms, which will increase capacity by 10-15%.

Roz Dean asked Committee to consider the vital need for medical care in the community beyond just the bottom line, and she noted that there is clearly a need for healthcare for the uninsured. Jim Murphy stated that the County's first priority is to focus on maintaining existing facilities as opposed to expanding new facilities. Dr. Zaretsky asked if more capital were available how the County would use it. Jim Murphy responded that it

would probably be invested in technology or ways to reduce demand for healthcare, but not necessarily in constructing new facilities. Efficiency would be essential; abating medical service needs would be priority with the county healthcare system's smaller workforce.

Les Levitt asked where did the billion-dollar capital program originated. Jim Murphy responded that they could achieve this through general obligation bonds through a ballot initiative. Les Levitt asked how this relates to RDA's funding stream and ability to fund or finance a hospital. Kip Harkness explained that RDA uses tax increment financing towards public projects or those with economic benefit to the community in line with State Redevelopment laws.

Michael Heil from Healthworks, representing RMCSJ, gave a presentation that responded to the information presented by Dr. Zaretsky at the April 18, 2007 meeting. Mr. Heil stated that when HCA ran both RMCSJ and SJMC concurrently, there was significant financial deficit. The two facilities were both small and serve relatively unfavorable patient payer mixes. Annualized margins are showing that HCA is only about to break even with just RMCSJ. Transport times are still accessible for the ZIP codes affected by SJMC closure. Lastly, newer regional hospitals average 26.89 acres in size, substantially larger than the SJMC site.

Andrew Reid agreed that large medical facility would not fit on the SJMC site, but smaller community hospital facilities have been built. These include the CPMC campuses, Watsonville Community Center, and Hazel Hawkins Memorial Hospital in Hollister. He sees that the fiscal overview of Healthworks supports the transfer of services for non-paying patients away from HCA and into the public realm.

Bob Brownstein stated that the data as presented does not accurately reflect the increase of burden onto O'Connor and Valley. Roz Dean and Julia Ostrowski asked for an explanation of travel times to hospitals; they did not believe that Yahoo maps represent a realistic reflection of actual travel times. Les Levitt suggested verifying with AMR ambulance services on hospital travel times. Paula Velsey stated that 95116 should be included in the Downtown area.

D. Logistics and Adjournment

Meeting adjourned at 8:20 p.m.